

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ISO-00 CAB-09 CIAE-00 COME-00

DODE-00 INR-10 NSAE-00 RSC-01 FAA-00 SS-20 NSC-10 L-03

H-03 PA-04 PRS-01 USIA-15 DOTE-00 DRC-01 IO-14 /138 W

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R 121835Z NOV 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 5505

INFO AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LISBON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY PARIS

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AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: ETRN

SUBJ: CIVAIR: INFORMAL EXCHANGE OF VIEWS ON NORTH
ATLANTIC FARES

1. IN FRIDAY MEETING ON NORTH ATLANTIC FARES, ECACDEL,
CHAired BY RABEN OF NETHERLANDS, OPENED BY CITING
NEASONS SUPPORTING APPROVAL IATA PROPOSED PACKAGE:

(A) CONSISTENT WITH OVERALL ECAC POLICY; (B) PACKAGE
IS ECONOMIC AND COST-RELATED, ALTHOUGH NOT IDEAL

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STRUCTURE REVAMPING OF WHICH MUST AWAIT CONCLUSIONS

CURRENT IATA STUDY; (C) LOW EXCURSION FARE NEEDED TO PROVIDE FARE COMPETITIVE WITH CHARTERS, SINCE ECAC POLICY DIRECTED TO MAINTAINING SKED SERVICE AS MAJOR ELEMENT IN MARKET.

2. CANDEL SAID HAS APPROVED IATA PACKAGE. IT NOTED STRONG IATA COMMITMENT TO STUDY STRUCTURE AND CAME UP WITH SATISFACTORY REVISION. FELT IATA SHOULD BE GIVEN REASONABLE CHANCE TO DO THIS AND PRESENT PROPOSED AGREEMENT WAS ACCEPTABLE INTERIM MEASURE. ALSO NOTED RELATION BETWEEN MINIMUM CHARTER RATES AND ANY IATA PACKAGE.

3. USDEL EMPHASIZED THAT CAB HAD NOT YET FORMALLY CONSIDERED IATA PROPOSAL BUT WOULD DO SO SHORTLY. USDEL COULD NOT PREDICT CAB REACTION. CLEARLY, SOME DIFFICULTIES COULD BE FORESEEN IN VIEW OF CAB'S EARLIER STATEMENT ON NA FARES. PROPOSAL MAY NOT BE ECONOMIC TO CARRIERS OR FAIR TO PUBLIC. MAY BE TOO MANY FARES DIRECTED TO FAIRLY HOMOGENOUS VACATION MARKET. 22/45 DAY FARE MIGHT BE TOO LOW AND HAS WIDE AVAILABILITY WHILE NORMAL ECONOMY FARE TOO HIGH. USDEL RECOGNIZED SLIGHT IMPROVEMENT OF PROPOSAL OVER 1973 STRUCTURE BUT COURT TOOK EXCEPTION TO '73 STRUCTURE AND MIGHT WELL CHALLENGE LATEST PROPOSAL IF CAB APPROVES. UNDER THESE CIRCUMSTANCES, USDEL BELIEVED CAB WOULD HAVE TO FIND COMPELLING CIRCUMSTANCES IN ORDER TO APPROVE, ALTHOUGH CAB WILL TAKE BROAD VIEW OF SITUATION, INCLUDING VIEWS EXPRESSED HERE. USDEL ASKED WHAT WOULD HAPPEN IF CAB DISAPPROVED IATA PACKAGE IN WHOLE OR PART.

4. UK REP EMPHASIZED PROBLEM OF UNCERTAINTY WHICH MUCH GREATER THIS YEAR. UK ALSO FELT IATA PROPOSAL HAD PROBLEMS BUT IATA NEEDED AN AGREEMENT SO COULD GET ON WITH STUDY OF NEW STRUCTURE. IATA PACKAGE IS INTEGRAL WHOLE AND NOT POSSIBLE ADJUST ONE PART WITHOUT CONSEQUENT CHANGES IN OTHERS. RESULT OF OPEN RATE SITUATION WOULD BE EXTENSION OF STATUS QUO WHICH FROM CAB VIEWPOINT WORSE THAN IATA PROPOSAL. IN LIMITED OFFICIAL USE

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ANY EFFORT TO REOPEN PACKAGE EITHER IN IATA OR INTERGOVERNMENTALLY UK WOULD INJECT QUESTION APEX CONCEPT AND CONTINUATION AFFINITY CHARTERS.

5. USDEL NOTED PHILOSOPHICAL DIFFERENCE BETWEEN US AND ECAC REGARDING RELATION BETWEEN SKED AND CHARTER FARES. US FELT EACH SHOULD BE COST RELATED AND MARKET SHOULD BE ALLOWED TO CHOOSE BETWEEN THEM.

CARRIERS SHOULD BE FREE TO ALLOCATE RESOURCES BETWEEN
TWO SERVICES BUT SHOULD NOT APPLY UNECONOMIC FARES
IN ORDER TO ACCOMPLISH SOME PREDETERMINED SPLIT.

6. ECACDEL BELIEVED 22/45 DAY FARE ECONOMIC AND
THAT ECAC CARRIERS WOULD OPERATE PROFITABLY. IN FACT,
SAS FELT MARKET WAS SUFFICIENTLY ELASTIC THAT REVENUES
WOULD DECLINE IF 22/45 DAY FARE RAISED. MARKET NOT
COMPLETELY HOMOGENOUS AND SOME FARE VARIETY REQUIRED.

7. USDEL AGREED THAT UNCERTAINTY A PROBLEM BUT NOTED
POSSIBILITY COURT REVERSAL OF CAB APPROVAL WHICH NOT
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FM AMEMBASSY LONDON
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INFO AMEMBASSY ATHENS
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FULLY SUPPORTED. THIS WOULD CREATE EVEN MORE UNCERTAINTY. IN FACT, UNLESS CAB CAN FIND COMPELLING REASONS TO APPROVE, PERIOD OF UNCERTAINTY LIKELY TO BE LENGTHY SINCE (1) IATA WOULD HAVE TO REVIEW; (2) FAILING SATISFACTORY NEW AGREEMENT, GOVERNMENTS WOULD ATTEMPT SETTLE BILATERALLY; AND (3) IN EVENT GOVERNMENT FAILURE CARRIERS WOULD BE ON THEIR OWN IN TRYING TO FIND ACCEPTABLE RATES IN THE VARIOUS MARKETS. IN VIEW 1973 EXPERIENCE, USDEL DOUBTS THAT COURT WOULD BE SYMPATHETIC TO LESS THAN FULL IMPLEMENTED OFFICIAL USE

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MENTATION ALL THESE STEPS IN ORDER ACCOMPLISH US OBJECTIVES.

8. IN AFTERNOON SESSION ECACDEL SUGGESTION MIGHT BE USEFUL LOOK AT THREE MAJOR POINTS OF CAB CONCERN IN IATA PROPOSAL. WHILE ECAC FELT MARGIN OF ADJUSTMENT IN PROPOSAL SMALL, IT MIGHT BE THAT SOME ADJUSTMENTS WOULD BE REGARDED LESS NEGATIVELY THAN OTHERS. RE 22/45 DAY FARE THIS OF GREAT IMPORTANCE TO ECAC STATES. UNLIKE US, ECAC FELT SKEDS NEEDED FARE WHICH WOULD BE COMPETITIVE WITH CHARTER SERVICES. IMPOSSIBLE TO ACCEPT ADJUSTMENTS WHICH WOULD LIMIT SKED COMPETITIVE POSSIBILITIES. THERE WAS AGREEMENT THAT 22/45 DAY FARE NOT PERFECT; PERHAPS IT SHOULD BE CONDITIONED TO LIMIT ITS APPLICABILITY BUT SOLUTION IS CERTAINLY NOT TO PUT THE FARE HIGHER.

9. RE INCREASE IN ECONOMY FARE, ECAC FELT THIS WAS MODEST AND JUSTIFIED BY COST INCREASES. RECOGNIZED ITS ECONOMIC QUANTITATIVE IMPACT WAS NOT AS LARGE AS 22/45 DAY FARE. HOWEVER FELT IT WAS USEFUL PART OF OVERALL PACKAGE.

10. RE YOUTH FARE ECAC NOTED THIS WAS IN SEPARATE IATA AGREEMENT AND COULD BE HANDLED AS SEPARATE ITEM. WHILE YOUTH FARES NOT OF GREAT ECONOMIC CONSEQUENCE FOR SOME AIRLINES, FOR OTHERS IT REPRESENTED SUBSTANTIAL INCOME. MOREOVER, IT WAS OF SOME POLITICAL AND SOCIAL IMPORTANCE TO CERTAIN COUNTRIES.

11. USDEL EXPRESSED APPRECIATION FOR THOSE VIEWS AND SAID THEY WOULD BE TAKEN FULLY INTO ACCOUNT IN THE CAB'S CONSIDERATION OF THE MATTER.

12. GENERAL SUPPORT WAS GIVEN TO URGING IATA TO EXPEDITE ITS WORK ON RESTRUCTURING NA FARES. ECAC SAID WOULD CONSIDER SENDING IATA STRONG RECOMMENDATION TO THIS EFFECT.

13. COMMENT: USDEL BELIEVES MEETING WAS USEFUL IN LIMITED OFFICIAL USE

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PROVIDING FORUM TO OBTAIN BETTER UNDERSTANDING RESPECTIVE POSITIONS. WHILE ECAC STATES CLEARLY BELIEVE BEST SOLUTION UNDER CIRCUMSTANCES IS APPROVAL IATA PROPOSAL, THEY NOW HAVE BETTER COMPREHENSION SOME OF CAB'S PROBLEMS. ECAC TREATMENT OF DISCUSSION ON THREE TROUBLESOME ASPECTS OF PACKAGE COULD BE READ AS SIGNAL THAT THEY WOULD NOT STAND IN WAY AND MIGHT EVEN ENCOURAGE IATA REVIEW OF CERTAIN ELEMENTS. IN THIS CONTEXT ANY CHANGE IN 22/45 DAY FARE LEVEL WOULD BE MOST DIFFICULT FOR ECAC STATES AND YOUTH FARE WOULD POSE LEAST DIFFICULTY, AT LEAST FOR MOST OF THEM. WHILE CANADA NOT LIKELY TO OPPOSE ANY ADJUSTMENTS TO MOST US OBJECTIVES, IT WOULD APPEAR THAT SERVICE COULD BE OPERATED BETWEEN CANADA AND EUROPE AT THE IATA PROPOSED LEVELS UNLESS US MANAGED TO ESTABLISH LOWER LEVELS TO ECAC STATES.

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Disposition Date: 28 MAY 2004
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